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Washington report, vol. 2 no.52, October 14, 1974

American Institute of Certified Public Accountants. Federal Information

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Recommended Citation

American Institute of Certified Public Accountants. Federal Information and Williams, Wade S., "Washington report, vol. 2 no.52, October 14, 1974" (1974). *Newsletters*. 454.
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AICPA *Washington Report*

October 14, 1974

Volume II, Issue 52

This issue marks the close of the second volume of the Washington Report. With the start of a new Institute committee year, the distribution of the Report will be changed to provide copies to those members of the Federal Government Division Committees and Task Forces appointed for the 1974-75 year.

We will continue to distribute copies of the Report to the members of the Board of Directors, Chairman of the senior technical committees, State Society Executive Directors, and Institute staff.

It is our purpose to make available timely information concerning matters affecting the profession, and, in particular, the assigned tasks of the committees. We hope that we made some progress towards this goal and that the information assisted you in your activities for the Institute. We have on various occasions received comments about the Report, and we would welcome your suggestions or advice on ways it might be improved to serve the purposes intended.

We know there are some who would like to continue to receive or be added to the distribution list of the Report. We are currently studying the feasibility of a subscription service, and hope to have a decision on this in the near future.



Gilbert Simonetti, Jr.
Vice President
Government Relations

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AGRICULTURE, DEPARTMENT OF

Legislation to create the Commodities Futures Trading Commission has been approved by Congress and sent to the White House for signature. The independent Commission proposed by the bill (HR 13113) will replace the Commodities Exchange Authority and be headed by 5 Presidential appointees subject to Senate confirmation. Full operations are scheduled to begin 6 months after the President signs the bill, which is expected shortly.

A bill to amend the Rural Electrification Act to exempt certain REA securities from regulation by the SEC has been reported out of the Senate Agriculture Committee. Opposed on procedural grounds by the SEC, the bill (HR 12526) would exempt a) securities issued by REA-guaranteed lenders which represent beneficial ownership in notes guaranteed by REA and b) evidences of indebtedness issued by such lenders which are fully secured by REA-guaranteed loans, cash, or other securities exempt from SEC regulation. A copy of the Committee report (S93-1173) may be obtained by calling 202/225-2035.

COMMISSION ON FEDERAL PAPERWORK

Legislation to establish a Commission on Federal Paperwork was approved in the House on 10/7/74. The bill sponsored by Rep. Horton (R-N.Y.) calls for a 14-member commission to complete in two years a study of all Federal reporting requirements and make recommendations for improvements. No opposition in the Senate is expected, and there is a good chance that it will become law this year. Mr. Simonetti recently received a letter of appreciation from Rep. Gus Yatron (D-Pa.), one of the first to advocate such legislation, thanking the AICPA for its endorsement and support of this legislative effort.

ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION

The House has approved the conference report creating the Energy Research and Development Administration (ERDA). The action follows Senate approval and the measure was sent to the President with indications that it was to be signed last Friday. The AEC will be replaced with a new 5-member Nuclear Regulatory Commission and will assume the former's regulatory responsibilities.

FEDERAL TRADE COMMISSION

A notice establishing a prenotification program for corporate mergers or acquisitions appears in the 10/3/74 Fed. Reg., p. 35717. The program will require both the acquiring and acquired companies subject to the regulation (combined assets exceeding

\$250 million) to file notification forms prior to any merger or acquisition and to file answers to a set of specific questions. The notice is effective upon publication.

Chairman Engman addressed the Financial Analysts Federation in Detroit on 10/7/74 and leveled charges against the CAB and ICC and other regulators for protecting the industries they regulate and raising consumer prices unnecessarily. "Most regulated industries have become federal protectorates, living in a cozy world of cost-plus, safely protected from the ugly specters of competition, efficiency and innovation." Engman called for a re-examination of every regulation or regulatory policy that contributes to inflation. He noted that the Federal government is the nation's worst price fixer and cited numerous statutes and policies in support of that charge.

New motions to quash the FTC's LB reporting program have been filed following the FTC's announcement denying the original motions filed by 193 of the 345 companies ordered to report.

GENERAL SERVICES ADMINISTRATION

A booklet containing summaries of federal circular provisions pertaining to financial and other administrative requirements, allowable costs and audits of federal grants has been prepared by the Office of Financial Management. The booklet includes questions about the circulars that have been raised by state and local grant recipients together with appropriate answers. In particular, it discusses Financial Management Circular 74-7, formerly OMB Circular A-102; 74-4, formerly OMB Circular A-87; and 73-2, formerly OMB Circular A-73. Copies of the booklet as well as requests for the Circulars should be addressed to: Office of Financial Management Policy, General Services Administration, GSA Building, Room 6018, Washington, D.C. 20405.

HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

Bills to amend the Social Security Act to overhaul the 27-year-old legislation providing welfare assistance to low income families have been introduced. Sponsored in the Senate by Sen. Mondale (D-Minn.) (S. 4082) and in the House by Rep. Mills (D. Ark.) (HR 17045), the legislation affects State welfare programs and establishes income eligibility limits that were not present in the old law. Included in the provisions is a requirement that each participating State provide annual audits performed by a CPA. The bill has Administration backing and its supporters have expressed hopes of passage by the end of the year. A reprint of the bill appears in the 10/3/74 Cong. Record at p. S18159.

RENEGOTIATION BOARD

A proposal to amend the Board regulations to require that all financial statements filed with the Board shall be in conformity with Standards promulgated by the CASB has been published (see 10/9/74 Fed. Reg., p. 36352). The amendments are reportedly designed to provide better uniformity and consistency in the methods of accounting to be employed for regulation purposes. The time for comment ends 11/25/74.

William S. Whitehead, on 9/26/74, requested the President that he be released as Chairman and Member of the Board effective 12/31/74. The President has accepted his resignation "with regret."

SECURITIES AND EXCHANGE COMMISSION

HR 5050, the omnibus securities bill, has been reported out of the House Commerce Committee. This sudden action has been viewed as making it probable that comprehensive securities reform legislation will be enacted by this session of Congress. Containing provisions similar to three measures passed earlier this year by the Senate, the bill would authorize SEC to create a central market system, increase the authority of the SEC to control exchange activities, and direct the SEC to complete a study of the role of banks in the securities business.

Proposed amendments to Form S-8 under the 1933 Act have been issued (Rel. No. 5530, 10/3/74). The principal purpose of the proposal is to reduce the cost and burden of registration to issuers consistent with the protection of investors by increasing the availability of the form for more types of employee benefit plans, particularly certain option plans which may not receive special tax treatment under the Internal Revenue Code. Time for comment ends 12/13/74.

SMALL BUSINESS ADMINISTRATION

Proposed amendments to the SBA Business Loan Policy regulations were published in the 10/9/74 Fed. Reg., p. 36354. One of the purposes of the amendments is to set forth operational restrictions and reporting requirements that must be adhered to by all participating lenders generally. Certain lenders under the regulations will be required to submit annual financial reports which have been examined by the lender's "SBA-approved independent certified public accountant." The time for comment expires 11/8/74.

A bill to provide relief to small business concerns which have fixed-price government contracts has been reported out of the Senate Government Operations Committee. The bill (S. 3619) provides that the head of an Executive agency may terminate any fixed-price contract between that agency and a small

business upon finding that the business is experiencing difficulties due to the energy crisis or unexpected escalations of contract costs. To substantiate the request for relief, certain documentation must be submitted, including balance sheets "certified" by a CPA. Copies of the report (S93-1231) are available from the Committee, 202/225-4751.

Small Marketers Aids No. 156 entitled "Marketing Checklist for Small Retailers" is now available. The pamphlet contains a Yes and No checklist of questions designed to aid the owner-manager of a small retail business to evaluate his current status. The checklist covers areas of Customer Analysis, Buying, Pricing, Promotion, Management, Financial Analysis and Control, and Insurance. Copies may be obtained free of charge from any SBA Field Office or the Washington Headquarters, 202/382-7511.

The 1973 Annual Report of the SBA is now available. In two volumes, the report reviews the activities of SBA in such areas as Financial, Management, and Procurement Assistance, as well as Revolving Fund Financing. Copies of the report may be obtained from the GPO (S/N 4500-00129) at 90¢ each.

Anthony S. Stasio has been appointed Chief Counsel for Advocacy. This new post of "ombudsman", created by P.L. 93-386 on 8/23/74, will promote, counsel and champion the position of and for small business before governmental and private sector agencies and organizations.

TRANSPORTATION, DEPARTMENT OF

The mass transit bill has been stalled in the House Rules Committee following issuance of the conference report on 10/3/74. Victim of a battle between the House Banking and Public Works Committees, the bill went into conference as a two-year \$800 million measure and came out as a six-year \$11.8 billion proposal. Included in the bill is a requirement for DOT to establish a uniform system of accounts and records by 1/10/77 and to require grant recipients to be subject to the system by 7/1/78. If the measure comes out of the Rules Committee after the election recess, it still faces an uncertain fate from expected floor battles.

TREASURY, DEPARTMENT OF

The IRS Audit Technique Guidelines for individuals and partnerships, estates and trusts, and corporations has been made available to the public. The Guidelines, which are used by IRS agents in field examinations of income tax returns, contain standards and techniques relating to the evaluation and disposition of assigned returns and the auditing and reporting on examined returns. They are available for public inspection in Room 1105, IRS, 1111 Constitution Ave., Washington, D.C. 20224.

Copies of the 93 page Guidelines may be obtained at 10¢ per page.

Consideration of the tax reform bill has been postponed until after the election recess due to delays in final action by the Ways and Means Committee and the President's new tax proposals. The latest act of the Committee was to approve Rep. Brotzman's (R-Col.) bill (HR 16994) providing for an exemption for the first \$500 of each taxpayer's savings account interest. Sharply opposed by Treasury officials, floor action on the measure is not expected until after the recess.

A table on revenue gains and losses from tentative decisions on the tax reform legislation is available from the House Ways and Means Committee. Prepared by the Committee staff and Treasury Department, the table provides a section-by-section analysis of the TDs showing estimated revenue gains and losses for the next 4 years. Copies may be obtained by calling the Committee, 202/225-3625.

A cut of 50% in the excise tax on private foundations has been recommended by the Foundations Subcommittee of the Senate Finance Committee. Although the reduction from a 4% tax to a 2% tax is supported by Treasury, House Ways and Means Committee Chairman Mills (D-Ark.) said that he could support the cut when he could support a cut of 50% in the individual income tax.

At the same time, the Foundations Subcommittee called for more information on the impact of the minimum distribution rules so that it can determine whether they should be changed. Saying the information is needed by early 1975 to determine necessary changes to Code section 4942, the Subcommittee concluded that the section should be amended to give the public an opportunity to comment on proposed changes.


SPECIAL: CAMPAIGN REFORMS ENACTED

Enactment of a far-reaching campaign reform bill containing amendments to the 1971 campaign law came last Friday. After numerous sessions between House and Senate conferees, the measure was approved by both Houses during the past week and sent on to the President, who signed it this past Friday afternoon. Provisions requiring financial disclosure by members of Congress as well as senior level executive department personnel was eliminated by the conferees.

SPECIAL: ADMINISTRATION'S ECONOMIC POLICY OUTLINED

A Treasury Department release summarizing the White House economic "game plan" is available. The 43-page document contains

information supplementing the President's Message to Congress on proposals to fight inflation which was delivered October 8. Copies of the document may be obtained by calling 202/964-2041.


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